



**2ND MEETING
MANUFACTURING SUBGROUP**

MEETING MINUTES

**JULY 12TH, 2010
1:30 PM**

**MEADWESTVACO
9TH FLOOR CONFERENCE ROOM
501 South 5th Street
Richmond, Virginia 23219**

Subgroup Members Present:

Don Banker
Tom Godfrey
John Luke
Bengt Lundgren
Brett Vassey

I. Call to Order

John Luke, Chair, called to order the 2nd meeting of the Manufacturing Subgroup at 1:31 PM on Monday, July 12th, 2010, at the MeadWestvaco building in Richmond, VA.

II. Roll Call

Jessica Brooks, Executive Assistant to the subgroup, called role. A quorum was present.

III. Minutes

Minutes from the 1st meeting were reviewed and approved.

IV. Overview of Interim Report

Mike Hardy, Lead Staff for the subgroup introduced John Jones from the Department of Taxation who was present on behalf of the Department of Taxation and also gave an overview of the purpose of the interim report, the process of developing the report, and the timeline the subgroup is working under.

V. Research/Ideas

Each subgroup member presented their research, findings, and ideas.

- a. **John Luke** – should maintain balance between environmental regulations and economic development; DEQ provide schedules for permits and time it takes to apply and receive a permit; increased fees (unfunded mandates) lead to a less competitive manufacturing industry; tax structure could prevent Virginia from retaining and gaining manufacturers; property tax and machinery and tools tax the most burdensome on manufacturers; consider changing the corporate tax rate; consider a change in filing process to allow corporations to change their filing status (ex: separate vs. consolidated); make tax credits refundable; need R&D tax credits for manufacturers; streamline paperwork and application process for major business facility tax credit
- b. **Bengt Lundgren** – finding workforce with the right skills is difficult; need more apprenticeships; alignment between community colleges and manufacturers needs; manufacturers workforce needs are constantly changing; need a change at the administrative level; in order to remain competitive in the industry manufacturers must have the best technology, but workforce cannot operate machinery; system is there and needs to be taken advantage of
- c. **Brett Vassey** – manufacturers' taxes are \$200M greater than any other sector each year; options for eliminating machinery and tools tax – repeal only on new investments (Del. Byron introduced legislation last Session which failed), allow manufacturers to deduct from income tax payments, grant a transferrable income tax credit instead; discussion with VML, VACO, and the Tax dept on the effects of eliminating or reducing this tax – the tax provides over \$200M of revenue to the state, where will we get that money?; manufacturers shouldn't have to pay more taxes just because of their industry
- d. **Don Banker** – why manufacturers choose or do not choose Virginia; incentives, real estate readiness, workforce, taxation, environmental; attract advanced manufacturing to Virginia – aerospace, automotive, energy, food processing, global logistics, life science manufacturing, and metals; VEDP has plans for each sector – use them; need to leverage off of what we already have; maybe focus on a couple specific sectors instead of all of them; R&D is currently driven by VT, UVA, and JMU; programs are fragmented and non-cohesive; could help workforce development and attracting new businesses; other states have successful programs that involve 4 year institutions, community colleges, and vocational programs in their workforce development and R&D strategies; Virginia should support “open access” networks, a public/private partnership; connect unemployed with their options
- e. **Tom Godfrey** – port of Virginia needs to be better utilized; develop tax credit system for Virginia companies using the port; port needs marketing and development tools to bring business; other states have incentive programs for their residents to use their ports; expand Foreign Trade Zones and maximize benefits so that all manufacturers can be involved and allow them to compete globally

VI. Public Comment

The meeting was opened to public comment. Topics discussed: Mike Edwards, VACO - broadband is important to attracting and maintaining business, as well as education; the state under-invests in transportation and we need a better infrastructure (roads, ports, aviation, public transit, etc); removing or alleviating a tax will hurt local governments, they are struggling as it is; etc.

VII. Next Meeting

The next subgroup meeting will be held on Monday, August 16th at 1:30 PM at the MeadWestvaco facility.

VIII. Adjournment

The meeting was adjourned at 3:32 PM.